Property

Expect Laggards To Bridge The Gap

OVERWEIGHT
(Maintained)

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Highlights

- The sector outperformance in 2H25 thus far (+6.7%) is led by Sunway and Eco World, with valuation now at 0.9x forward PB (+0.5SD above mean).
- Buyer sentiment for Johor's serviced apartment remains strong despite higher launch prices of RM1,000-1,500psf for properties located near RTS stations.
- **Maintain OVERWEIGHT,** supported by resilient industrial and residential demand in Johor. Top picks: Sunway, Eco World and Mah Sing.

Analysis

- **The property sector has outperformed the FBMKLCI thus far in 2H25,** recording a 6.7% gain compared with the FBMKLCI's 3.8%. The outperformance was led by Sunway Bhd (+14.4%) and Eco World (+10.5%), partially offset by declines in Mah Sing (-9.5%) and SP Setia (-7.9%). Sector valuations have continued to improve thus far in 2H25, currently trading at 0.91x 12-month forward PB (+0.5SD above mean). We expect Mah Sing, SP Setia, and IOIPG to gradually narrow the gap with peers, supported by: a) progress in finalising industrial land sales, b) their strategic exposure to Johor, and c) relatively undemanding valuations of 0.4x-0.7x 2025F P/B. Similarly, Lagenda appears compelling, trading at 5.3x 2025F PE with a yield of 7%.
- **The bright spot remains in Johor,** where developers are ramping up launches near RTS station towards end-25, ahead of the RTS Link commencement (by end-26) and e-ART rollout (award by end-25). While Johor's serviced apartment overhang eased to 15,999 units in 2Q25 (-4.7% qoq; -4.3% yoy), per NAPIC, the upcoming launches of >10,000 serviced apartment units per our findings, raises concerns for oversupply in the market.
- **Resilient demand for serviced apartments near RTS.** Nevertheless, our channel checks indicate healthy demand and robust take-up rates, which benefit Mah Sing and Sunway Bhd. New launches within walking distance of RTS stations are priced at RM1,000-1,500psf (ie Gen Rise, Causewayz Square, UOAD's upcoming project), while projects located beyond 3km are generally priced at RM800psf-RM1,000psf (ie M Grand Minori, The Asteriaz @ Kebun Teh). This has resulted in a surge in average transaction price in Johor Bahru City to RM709psf (+20.4%) in 1H25, per JLL.
- **Meanwhile, market response for landed homes has been encouraging.** UEMS' Aspira Hill Phase 2A and 3A in Gerbang Nusajaya achieved full take-up for all 285 units within 48 hours of its priority preview in Sep 25. Similarly, Eco Botanic 3 drew over 1,450 registrants in Aug 25 for the upcoming maiden phase launch, Hi.Jau. We expect take-up rates to be strong when the project is launched in Sep 25/Oct 25.

Sector Picks

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
Eco World	ECW MK	BUY	2.24	2.60
Sunway	SWB MK	BUY	5.48	6.00
Mah Sing	MSGB MK	BUY	1.14	1.57

Source: Bloomberg, UOB Kay Hian

Serviced Apartments/SOHO Launch Details Near RTS Station

Project	Distance to RTS	Units	Gross Price (RM psf)	Take-up Status
Gen Rise (Majestic Gen)	980m	732	1,132–1,354	100% since Jan 25 launch
EXSIM Causewayz Square	800m	c.4,500	1,500	Est. launch Oct/Nov 25
UOAD's project	400m	786	1,200	Est. launch 4Q25/1Q26
M Grand Minori (Tower A/Phase 1)	3km	843	920–970	>90% since Aug 25 launch
The Asteriaz @ Kebun Teh	3km	848	850	93% since Jul 25 launch
Sunway Majestic's SOHO	3km	1,000	800	Est. launch in Oct 25

Source: UOB Kay Hian

Peer Comparison

Company	Ticker	Rec*	Price 25 Sep 25 (RM)	Target Price (RM)	Upside To TP (%)	Last Year End	PE 2024A (x)	PE 2025E (x)	PE 2026E (x)	Yield 2025E (%)	ROE 2025E (%)	Market Cap. (RMm)	Price/ NAV ps (x)
Eco World Development	ECW MK	BUY	2.24	2.60	16.1	10/24	19.5	17.6	15.2	3.2	7.9	6,707	1.3
IOI Properties Group	IOIPG MK	BUY	2.09	2.72	30.1	6/25	16.5	29.7	17.3	3.8	1.6	11,508	0.5
Lagenda Properties	LAGENDA MK	BUY	1.16	1.74	50.0	12/24	5.7	5.3	3.5	7.0	13.6	971	1.0
Mah Sing Group	MSGB MK	BUY	1.14	1.57	37.7	12/24	12.0	9.9	9.2	5.1	7.1	2,919	0.7
Matrix Concepts	MCH MK	BUY	1.39	1.70	22.3	3/25	12.9	10.1	9.7	5.2	9.1	2,609	1.1
SP Setia	SPSB MK	BUY	1.05	1.48	41.0	12/24	8.5	10.8	8.9	2.3	3.2	5,253	0.4
Sunway Bhd	SWB MK	BUY	5.48	6.00	9.5	12/24	36.3	37.4	30.9	1.3	6.3	34,362	2.3
UEM Sunrise	UEMS MK	BUY	0.77	0.92	20.3	12/24	25.8	38.4	31.3	2.0	1.4	3,870	0.6

Source: UOB Kay Hian

- **Robust demand for industrial land.** Johor recorded RM56.0b in approved investments in 1H25 (vs RM48.5b in 2024), driven by JS-SEZ initiatives. Industrial demand remains particularly strong, with recent Equalbase leasing to 720,000sf to GXO Logistics in 103° in Sunway City, Iskandar Puteri. Looking ahead, we anticipate developers to forge ahead with finalising industrial land sales, including SP Setia's Tanjung Kupang land deal (around RM0.5b) by end-25, IOIPG's chunky industrial land sales (around RM0.5b) in 1HFY26, Mah Sing's 42-acre DC land sales in Meridin East and UEMS' 74-acre industrial land in Gerbang Nusajaya.

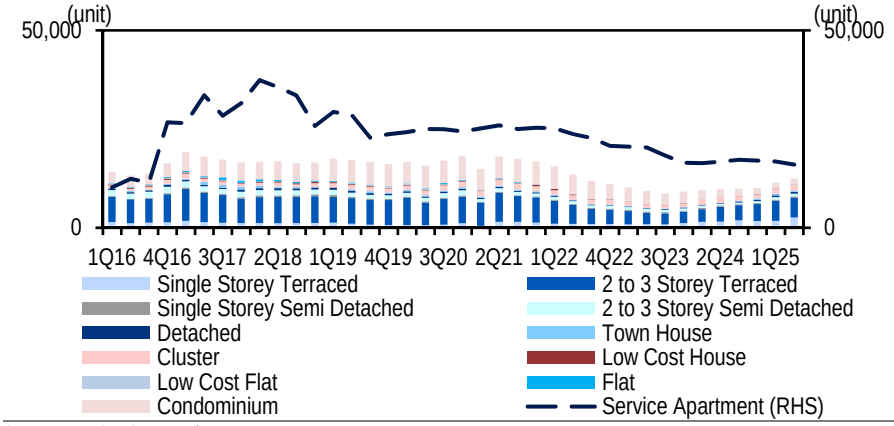
Valuation/Recommendation

- **Maintain OVERWEIGHT.** We remain upbeat on the sector, driven by: a) a falling interest rate environment, b) JS-SEZ-driven demand for industrial land, and c) infrastructure progress spurring demand for transit-oriented development. We also expect the upcoming Budget 2026 to focus on affordable housing with possible measures including the expansion of financing means for first-time home-buyers. Our top picks are Sunway, Eco World and Mah Sing. We also like laggards such as IOIPG, trading at 0.5x 12-month P/B (historical mean) and SP Setia, trading at 0.4x 12-month P/B (-0.5SD to mean).

Sector Catalyst/Risk

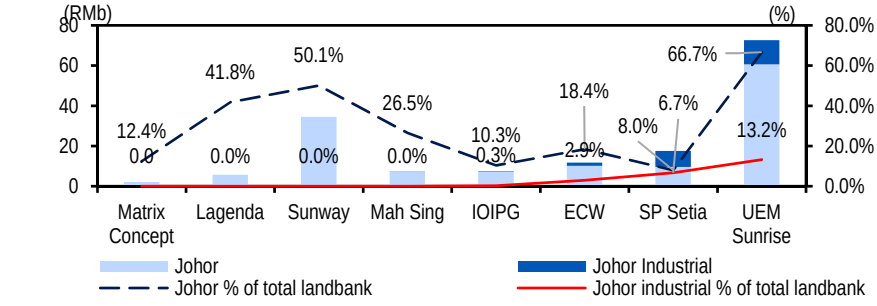
- Key risks to our investment thesis include: a) unsuccessful execution of infrastructure- or property-related developments and negative newsflow, b) slower-than-expected take-up rates caused by macroeconomic uncertainty, c) spikes in building material costs, and d) impairments on receivables and completed inventories.

Unsold Units By Category In Johor



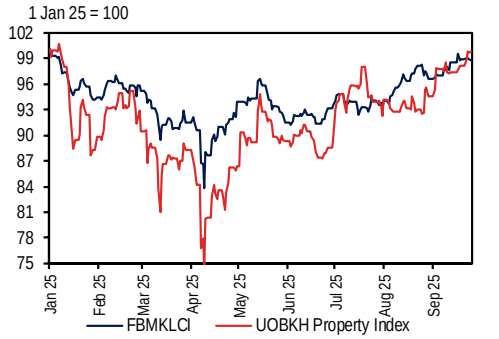
Source: NAPIC, UOB Kay Hian

Remaining Johor Landbank In Value By Company



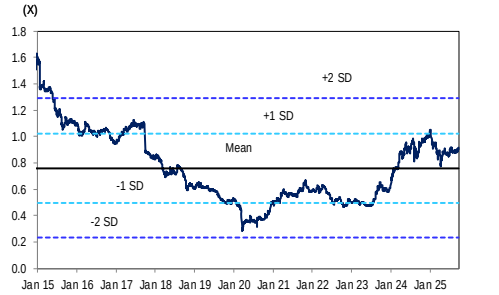
Source: Respective companies, UOB Kay Hian

UOBKH Property Index Vs FBMKLCI



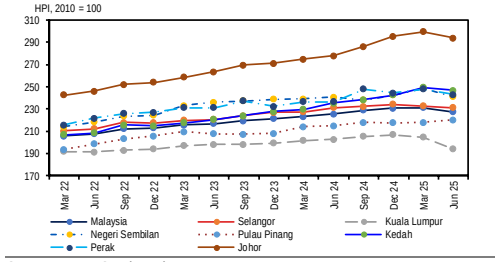
Source: Bloomberg

Sector One-Year Forward PB



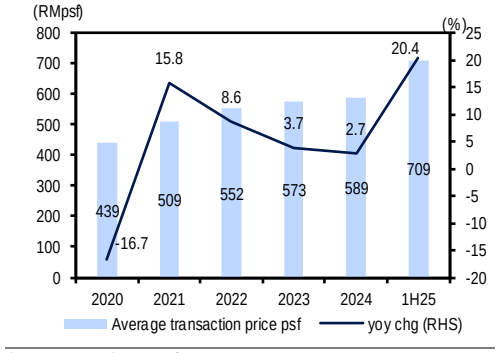
Source: Bloomberg

Quarterly House Price Index



Source: NAPIC, Bloomberg

Johor Bahru City Serviced Apartment Average Transaction Price



Source: JLL, UOB Kay Hian

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